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# **University of Southampton**

## **Financial Statements and Statistics 1997**



**University  
of Southampton**



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**Financial Statements and Statistics**



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# **University of Southampton and Subsidiary Undertakings**

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## **Financial Statements for the year ended 31 July 1997**

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# **University of Southampton and Subsidiary Undertakings**

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## **Treasurer**

*Godfrey Whitehead, FCA*

## **Director of Finance**

*Colin R Showell, BCom, CPFA*

## **Deputy Director of Finance**

*Malcolm J Ace, MA, FCCA*

## **Investment Advisers**

*Lazard Brothers Asset Management Limited  
21 Moorfields  
London EC2P 2HT*

*James Capel Investment Management  
6 Bevis Marks  
London EC3A 7JQ*

## **Bankers to the University**

*Midland Bank PLC  
165 High Street  
Southampton SO14 2NZ*

## **Bankers to Chilworth Centre Limited and Chilworth Manor Limited**

*Lloyds Bank PLC  
18 High Street  
Southampton SO14 2SE*

## **External Auditors**

*Price Waterhouse  
The Quay  
30 Channel Way  
Ocean Village  
Southampton SO14 3QG*

## **Internal Auditors**

*Coopers & Lybrand  
5 Town Quay  
Southampton SO14 2HJ*

## Treasurer's Report 1996-1997

### Scope of the Financial Statements

The Financial Statements comprise the consolidated results of the University and its subsidiary companies, listed in note 12. Where applicable, profits from the subsidiaries are accounted to the University.

### Results for the Year

The University's Consolidated Income, Expenditure and results for the year to 31 July 1997 are summarised as follows:

	1997	1996
	£000	£000
Income	162,765	154,764
Expenditure and minority interest	161,885	149,160
Surplus for the year based on revalued fixed assets	880	5,604

If depreciation had been charged on an Historic Cost basis, the surplus for 1997 would have been £3.038 million (1996: £7.883 million).

The University's total income increased by over 5% compared with the previous year, a slower rate of growth than in previous years, reflecting the continuing tightening of public grants. Over half of the increase has arisen from the joining of Winchester School of Art on 1 August 1996, which continued the University's recent expansion of its academic activities. Without the additional grant arising in respect of Winchester School of Art, the University's grant from the Higher Education Funding Council would, in fact, have been less than in the previous year. This is because funds for teaching were reduced for 1997, whilst the increased funding resulting from the University's extremely successful research gradings will not come into the grant allocation until 1998.

Despite the relatively low growth in public funding, research grant and contract income has continued to grow. Total research income was 9% higher than in the previous year, in an

increasingly competitive market. The University can be justifiably proud of the efforts of its staff to increase such income. Sustained annual growth has averaged 15% per annum compound over the last ten years.

### Balance Sheet and Capital Developments

The Balance Sheet continues to show satisfactory strength and adequate liquidity to meet foreseeable requirements. During the year, a loan of £10 million was negotiated with the National Westminster Bank to finance the construction of the Avenue Campus, which had been financed on an interim basis from cash reserves. Cash reserves were used instead to begin the financing of the construction of the new Synthetic Chemistry Building (to be financed mainly from a loan of £12.3 million in 1998) and to meet the first stages of an ambitious plan for remodelling and refurbishing the main Highfield Campus. In addition, the University is committed to further academic building and to the completion of a combined Residential and Commercial Services Building, containing four banks and a major bookshop. These projects will be completed in 1998.

Finally, the latter part of the year included a great deal of planning towards the creation of University of Southampton New College, leading to the purchase of the academic site of the former La Sainte Union College of Higher Education just after the end of the financial year, on 1 September 1997.

Overall, these developments imply a considerable future funding requirement, for which the University has planned accordingly, using a mixture of internally generated funds and loan finance. Any long-term loan commitments will be monitored strictly and kept well below the maximum levels advised by the Higher Education Funding Council.

### Investments

During the year, the management of investments was undertaken by Lazard Brothers Asset Management and James Capel Investment Management. In a very buoyant market, the University income and capital growth was in line with industry benchmark returns.

## Treasurer's Report 1996-1997

### Cash Flow

The Cash Flow Statement has been redrafted this year in line with the new Financial Reporting Standard (FRS 1 Revised) which redefines cash and short-term investments. The University generated some £12 million cash from its operating activities and drew down loans of £10.8 million to finance capital expenditure projects, mainly those funded initially from cash balances in earlier years. At the same time, however, new capital expenditure of £8.4 million has been supported from available cash. Some of this will be financed from loans being drawn down in the new financial year, 1998.

### University Companies

The principal trading companies, Chilworth Centre Limited (CCL) and Chilworth Manor Limited (CML) have performed satisfactorily during the year and CML is ahead of the schedule agreed with Lloyds Bank for the repayment of the loan undertaken in the early 1990s. There is no recourse to the University in respect of this loan. Further investigations are continuing into the possibility of further expansion of commercial activities close to the Chilworth site and the University has made increasing use of its new

company, Southampton Innovations Limited, (set up January 1996) which it hopes will successfully generate significant income for the University from the exploitation, in various forms, of the expertise arising from research projects.

### Looking Ahead

The University has taken careful note of the Dearing Report, published in July, and is well aware that the future structure of Higher Education may alter radically in the next few years. Whilst this opens up many opportunities, there will also be significant financial issues, the impact of which has yet to be clarified. Council is, however, well aware of the need for careful and responsible financial management during what is likely to be a challenging period of transition.

### Conclusion

The end of the financial year saw the retirement, after 11 years as Treasurer, of my predecessor, Kenneth Dibben. On behalf of everyone concerned with the finances of the University, I would like to express my appreciation for his dedicated service and wise counsel over those years.

16 December 1997

Godfrey Whitehead  
Treasurer

## Corporate Governance

### Summary of Corporate Governance

The University was established in 1952 by Royal Charter which, together with the Statutes which came into force at the same time, provides the framework for the corporate governance of the institution. The Council is the governing body of the University, and is charged by the Statutes with responsibility for "the management and administration of the whole revenue and property of the University and the conduct of all the affairs of the University". In carrying out its functions, the Council is bound by the terms of the Financial Memorandum with the Higher Education Funding Council for England, which is updated annually, and the acceptance of which is a precondition for the receipt of subventions. The Senate is the other principal decision-making body prescribed in the Charter and Statutes; it is primarily responsible for coordinating and advancing the academic work of the University.

The Council numbers 37 persons, comprising *ex-officio* and lay members, and representatives of the academic and other staff, together with two students. The Chair and Vice-Chair of Council are appointed from amongst the lay membership, which always forms a majority on the Council. Whilst the Chancellor is the titular head of the University, the Vice-Chancellor is the University's principal academic and administrative officer, and Accounting Officer. The Treasurer is a lay and non-executive member of the Council whose remit is to advise generally on matters relating to the University economy, and to satisfy him/herself as to the soundness of the University's financial position and the integrity of its financial transactions. The Secretary and Registrar is responsible to Council, through the Vice Chancellor, for all administrative functions of the University.

The Council meets at least three times per annum, and receives reports on the functioning of the University and of its subsidiary companies. Matters specifically reserved for Council decision include the Mission and ongoing strategic direction of the institution, and the approval of budgetary dispositions and of major new developments. Much of the business of the Council is transacted through the committee structure. In this structure the Policy and

Resources Committees (PRC) - a joint committee with the Senate - performs a pivotal role. PRC is chaired by the Vice-Chancellor, and is responsible for preparing for consideration by Council the annual revenue and capital budgets; for recommending to Council the adoption of the Strategic Plan; for monitoring performance in relation to approved budgets; and for overseeing the execution of financial policies approved by the Council. PRC receives regular advice from two committees whose remit relates respectively to personnel and to estates policy, and also from the University Management Group which has day-to-day oversight of the financial position of the University. Other committees deal with such matters as student and staff welfare, safety and occupational health, the remuneration and promotion of staff, and the assessment of academic and administrative departmental performance.

The Audit Committee meets at least three times per annum. Meetings are attended by the External Auditors, to discuss audit findings, and also by the Internal Auditors, to discuss detailed internal audit reports and recommendations for the improvement of the University's systems of financial control, together with management's response and implementation plans. The Committee also considers reports from the Higher Education Funding Council for England relating to the conduct of business and monitors adherence to the regulatory requirements. The Committee reviews the University's annual financial statements together with the accounting policies. Whilst senior executives are in attendance at meetings, they are not members of the Committee, which reserves the right to meet with the External Auditors for independent consultations.

The Nominations Committee is responsible for making recommendations for the filling of vacancies in the lay membership of Council, following internal and external advertisement and reference to the alumni of the University.

The Professorial and Senior Salaries Committee reviews the salaries of senior academic and administrative staff. The lay officers separately review the salary of the Vice Chancellor.

## Corporate Governance

All these committees are formally constituted with terms of reference and comprise lay and academic members, one of whom is in the chair. All members of the Council and of the committees, together with the executive officers, are subject to Standing Orders which inter alia require the maintenance of a Register of Interests; members may not be present at any discussion in which they have a direct or indirect financial interest.

## Role of Council in the Preparation of the Financial Statements

In causing the statements to be prepared, Council has, through its committees and officers, taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England are used only for the purposes for which they have been given and in accordance with the Financial Memorandum and any other conditions which the Funding Council may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard funds from all sources;
- safeguard the assets of the University and prevent and detect fraud;
- secure the economical, efficient and effective management of the University's resources and expenditure.

The key elements of the University's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- clear definition of the responsibilities and delegated authority of heads of academic and administrative departments;
- a medium and short-term planning process, supplemented by detailed annual expenditure and capital budgets;
- regular reviews of academic performance and termly reviews of financial performances and updates of forecasts of outturns;
- clearly defined and formalised requirements for control of expenditure, appointment of staff, investment and borrowing decisions;
- comprehensive Financial Regulations approved by the Audit Committee and Council;
- a professional internal audit service from a major international accountancy firm.

The Audit Committee, on behalf of Council, has reviewed the effectiveness of the systems of internal control. Any such system can, however, only provide reasonable, but not absolute, assurance against misstatement or loss.

## REPORT OF THE AUDITORS TO THE COUNCIL OF THE UNIVERSITY OF SOUTHAMPTON

We have audited the financial statements on pages 9 to 30 which have been prepared under the historical cost convention as modified by the revaluation of certain assets and the accounting policies set out on pages 12 and 13.

### RESPECTIVE RESPONSIBILITIES OF THE COUNCIL AND AUDITORS

As described on page 7, the University's Council is responsible for ensuring that financial statements are prepared. It is our responsibility to form an independent opinion, based on our audit, on the statements and to report our opinion to you.

### BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### OPINION

In our opinion:

- (i) the financial statements give a true and fair view of the state of the affairs of the University and the group at 31 July 1997, and of their income and expenditure and the group's cash flows for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice: Accounting in Higher Education Institutions and with the University's Charter of Incorporation;
- (ii) income from Funding Council grants and income for specific purposes and from other restricted funds administered by the University have been applied for the purposes for which they were received;
- (iii) income has been applied in accordance with the University's Statutes and where appropriate with the Financial Memorandum dated March 1996 with the Higher Education Funding Council for England and the Funding Agreement dated July 1996 with the Teacher Training Agency.



# University of Southampton and Subsidiary Undertakings

## Income and Expenditure Accounts for the year ended 31 July 1997

	Notes	Consolidated		University	
		1997 £000	1996 £000	1997 £000	1996 £000
<b>INCOME</b>					
<i>Funding Council grants</i>	2	53,391	51,780	53,391	51,780
<i>Academic fees and support grants</i>	3	31,709	28,708	31,709	28,665
<i>Research grants and contracts</i>	4	46,215	42,428	46,215	42,428
<i>Other operating income</i>	5	29,252	29,554	27,081	27,357
<i>Endowment income and interest receivable</i>	6	2,198	2,294	2,180	2,279
<b>Total income</b>		<b>162,765</b>	<b>154,764</b>	<b>160,576</b>	<b>152,509</b>
<b>EXPENDITURE</b>					
<i>Staff costs</i>	7	87,938	84,233	87,796	83,877
<i>Depreciation</i>	11	8,049	6,961	7,800	6,668
<i>Other operating expenses</i>	8	63,624	56,904	62,390	55,146
<i>Interest payable</i>	9	2,259	1,048	1,889	1,231
<b>Total expenditure</b>	<b>10</b>	<b>161,870</b>	<b>149,146</b>	<b>159,875</b>	<b>146,922</b>
<i>Surplus after depreciation of assets at valuation and before minority interest</i>		895	5,618	701	5,587
<i>Minority interest</i>		(15)	(14)	—	—
<b>Surplus attributable to the University</b>		<b>880</b>	<b>5,604</b>	<b>701</b>	<b>5,587</b>

## Note of Historical Cost Surpluses and Deficits for the year ended 31 July 1997

	Note	Consolidated		University	
		1997 £000	1996 £000	1997 £000	1996 £000
<i>Surplus after depreciation of assets at valuation and minority interest</i>					
<i>Difference between an historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount</i>		880	5,604	701	5,587
<i>Historical cost surplus after minority interest</i>	20	2,158	2,279	2,158	2,279
		<b>3,038</b>	<b>7,883</b>	<b>2,859</b>	<b>7,866</b>

# University of Southampton and Subsidiary Undertakings

## Balance Sheets as at 31 July 1997

	Notes	Consolidated		University	
		1997 £'000	1996 £'000	1997 £'000	1996 £'000
<b>FIXED ASSETS</b>					
Tangible assets	11	189,293	178,269	184,658	173,569
Investments	12	9,391	8,853	215	177
Investment in Business Expansion Scheme	12	17,102	16,035	17,102	16,035
		<u>215,786</u>	<u>203,157</u>	<u>201,975</u>	<u>189,781</u>
<b>ENDOWMENT ASSET INVESTMENTS</b>					
DEBTORS: AMOUNTS FALLING DUE AFTER ONE YEAR	13	5,313	4,485	5,313	4,485
CURRENT ASSETS	14	3,210	—	17,394	13,158
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	14	<u>51,089</u>	<u>37,920</u>	<u>53,964</u>	<u>37,162</u>
NET CURRENT ASSETS	15	(32,519)	(23,477)	(35,264)	(22,633)
		<u>18,570</u>	<u>14,443</u>	<u>18,700</u>	<u>14,529</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>242,879</u>	<u>222,085</u>	<u>243,382</u>	<u>221,953</u>
<b>CREDITORS: AMOUNTS FALLING DUE</b>					
AFTER MORE THAN ONE YEAR	16	(54,449)	(40,169)	(57,766)	(41,983)
PROVISIONS FOR LIABILITIES AND CHARGES	17	(2,821)	(1,637)	(2,547)	(1,578)
		<u>185,609</u>	<u>180,279</u>	<u>183,069</u>	<u>178,392</u>
<b>TOTAL ASSETS LESS LIABILITIES</b>		<u>185,609</u>	<u>180,279</u>	<u>183,069</u>	<u>178,392</u>
<b>DEFERRED CAPITAL GRANTS</b>					
	18	(45,986)	(46,697)	(45,986)	(46,697)
		<u>139,623</u>	<u>133,582</u>	<u>137,083</u>	<u>131,695</u>
<b>TOTAL NET ASSETS</b>		<u>139,623</u>	<u>133,582</u>	<u>137,083</u>	<u>131,695</u>
<i>Represented by:</i>					
<b>ENDOWMENTS</b>					
Specific	19	3,281	2,978	3,281	2,978
General	19	2,032	1,507	2,032	1,507
		<u>5,313</u>	<u>4,485</u>	<u>5,313</u>	<u>4,485</u>
<b>RESERVES</b>					
Revaluation reserve	20	85,506	83,715	83,114	81,823
Income and Expenditure account	21	48,804	45,382	48,656	45,387
		<u>134,310</u>	<u>129,097</u>	<u>131,770</u>	<u>127,210</u>
<b>TOTAL FUNDS</b>		<u>139,623</u>	<u>133,582</u>	<u>137,083</u>	<u>131,695</u>

The financial statements on pages 9 to 30 were approved by the Council on 16 December 1997, and signed on its behalf by:

Vice-Chancellor  
(Chair of Policy and Resources Committee)

Treasurer

Director of Finance

# University of Southampton and Subsidiary Undertakings

## Consolidated Cashflow Statement for the year ended 31 July 1997

	Notes	1997 £000	1996 £000
<i>Net cash inflow from operating activities</i>	28	12,141	10,640
<i>Returns on investments and servicing of finance</i>	29	7	1,414
<i>Capital expenditure and financial investment</i>	30	(9,579)	(17,463)
<i>Cash inflow/(outflow) before use of liquid resources and financing</i>		2,569	(5,409)
<i>Management of liquid resources</i>	14	(16,324)	2,230
<i>Net financing</i>	31	10,012	456
<b>Decrease in cash</b>		<b>(3,743)</b>	<b>(2,723)</b>

## Reconciliation of Net Cash Flow to Movement in Net Funds

		1997 £000	1996 £000
<i>Decrease in cash in the period</i>		<b>(3,743)</b>	<b>(2,723)</b>
<i>Increase/(decrease) in investments</i>	14	16,324	(2,230)
<i>New loans</i>	32	(10,768)	(7,139)
<i>Repayment of debt</i>	32	756	6,683
<i>Change in net funds</i>	32	2,569	(5,409)
<i>Net funds at 1 August</i> <i>University Group</i>		<b>(21,416)</b>	<b>(16,007)</b>
<i>Winchester School of Art</i>		<b>(2,813)</b>	<b>—</b>
	32	<b>(24,229)</b>	<b>—</b>
<i>Net funds at 31 July</i>	32	<b>(21,660)</b>	<b>(21,416)</b>

## Statements of Total Recognised Gains and Losses for the year ended 31 July 1997

Notes	Consolidated		University	
	1997 £000	1996 £000	1997 £000	1996 £000
<i>Surplus after depreciation of assets at valuation</i>	895	5,618	701	5,587
<i>Unrealised surplus on endowment asset investments</i>	19	531	224	531
<i>Endowment income retained for year</i>	19	174	22	174
<i>New/(Disposal of) endowments</i>	19	10	(46)	10
<i>Net transfer to restricted funds</i>	—	—	(1,684)	—
<i>Transfer to deferred income</i>	(2,736)	—	(2,736)	—
<i>Winchester School of Art</i>	3,939	—	3,980	—
<i>Unrealised surplus on revaluation of properties</i>	20	3,228	3,964	2,728
<b>TOTAL RECOGNISED GAINS RELATING TO THE YEAR</b>	<b>6,041</b>	<b>8,098</b>	<b>5,388</b>	<b>6,839</b>

The notes on pages 12 to 30 form part of these accounts

## Notes to the Financial Statements for the year ended 31 July 1997

### I. Statement of principal accounting policies

#### (a) Accounting convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of endowment asset investments and certain land and buildings in accordance with both the Statement of Recommended Practice: Accounting in Higher Education Institutions (SORP) and applicable accounting standards.

#### (b) Basis of consolidation

The consolidated financial statements consolidate the financial statements of the University and all its subsidiary undertakings.

The consolidated financial statements do not include those of the University of Southampton Students' Union as it is a separate entity over which the University does not exercise control or significant influence over policy decisions.

All income for the year relates to continuing activities.

#### (c) Recognition of income

Government basic and other recurrent grants are included in the year to which they relate. Specific grants are brought into income to the extent of expenditure in the year.

Income from specific endowments and donations, research grants and contracts is included to the extent of the expenditure incurred during the year, together with any related contributions towards indirect costs.

Income from short-term investments, deposits and general endowment asset investments is accrued up to the balance sheet date.

Income from other external contracts, consultancies and services rendered is credited to the income and expenditure account to the extent of amounts invoiced during the year.

#### (d) Pension schemes

Pensions are provided by means of funded defined benefit schemes and annual contributions are based on actuarial advice. The expected cost of providing pensions is recognised on a systematic and rational basis over the expected average remaining service life of members of the schemes.

#### (e) Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the mid-term. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

#### (f) Leases

Assets held under finance leases are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the income and expenditure account over the period of the lease and represents a constant proportion of the balance of the capital repayments outstanding. Rentals paid under operating leases are charged to the income and expenditure account on a straight line basis over the lease term.

#### (g) Land and buildings

Expenditure on land and buildings is capitalised. Interest incurred on borrowings used to finance the construction of buildings has been capitalised as part of the cost of the asset.

Depreciation is charged on the following bases:

- (i) Buildings acquired after 1 August 1989 - on a straight line basis over 50 years, with the exception of certain special purpose buildings with shorter useful lives.

## Notes to the Financial Statements for the year ended 31 July 1997

### I. Statement of principal accounting policies (continued)

- (ii) *Buildings acquired before 1 August 1989 - on a straight line basis over 30 years.*
- (iii) *One leasehold building held by a subsidiary undertaking - on a straight line basis over 99 years being the term of the lease.*

*In accordance with SSAP4 grants received from Exchequer sources are held as deferred income and released to the income and expenditure account over the estimated life of the asset.*

*Buildings owned by the University are revalued every five years. The most recent revaluation took place on 31 July 1995. The University has incorporated the buildings previously owned by the Winchester School of Art which were revalued on 30 November 1994.*

*Investment properties are accounted for at market value. Properties are revalued annually and any surplus or deficit arising is taken to a revaluation reserve in general funds.*

#### (h) Equipment

*Equipment purchased by the University and costing less than £20,000 per individual item or group of related items is written off in the year of acquisition. Equipment costing over £20,000 and all equipment held by the subsidiary undertakings is capitalised.*

*Equipment capitalised by the University is stated at cost and depreciated over three years. Capitalised furniture and equipment held by subsidiary undertakings is depreciated over periods not exceeding 10 years.*

*Depreciation is charged to the income and expenditure account on a straight line basis.*

#### (i) Investments

*Endowment asset investments are included in the balance sheet at market value.*

*Current asset investments are included at the lower of cost and net realisable value.*

#### (j) Stocks

*Catering, trading and centrally held stocks are stated at the lower of cost and net realisable value. Stocks held by teaching and research departments are excluded from the balance sheet, this expenditure being charged to the income and expenditure account when incurred.*

#### (k) Cash flows and liquid resources

*Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are available within 24 hours without penalty. No investments, however liquid, are included as cash.*

*Liquid resources comprise assets held as a readily disposable store of value. They include term deposits, government securities and loan stock held as part of the University's treasury management activities. They exclude any such assets held as endowment asset investments.*

#### (l) Maintenance of premises

*Expenditure on routine corrective maintenance is charged to the income and expenditure account when incurred. There is a substantial backlog of long term maintenance and the University has a strategy for reducing this backlog and makes an annual provision against which expenditure is incurred in accordance with the previously determined strategy.*

#### (m) Goodwill

*Goodwill arising on consolidation is written off directly to reserves.*

# University of Southampton and Subsidiary Undertakings

## Notes to the Financial Statements for the year ended 31 July 1997

	Consolidated and University	
	1997 £000	1996 £000
<b>2. Funding Council Grants</b>		
<i>Recurrent grants:</i>		
<i>Higher Education Funding Council for England (HEFCE)</i>	49,134	43,668
<i>Teacher Training Agency</i>	805	479
<i>Further Education Funding Council</i>	333	—
<i>Specific grants:</i>		
<i>Equipment and furniture</i>	—	3,200
<i>Information services</i>	190	332
<i>Other</i>	742	2,189
<i>Deferred Capital Grants released in year:</i>		
<i>Buildings (note 18)</i>	1,532	1,536
<i>Equipment (note 18)</i>	655	376
	<hr/>	<hr/>
	53,391	51,780
<i>In 1997 the equipment and furniture grant from HEFCE was subsumed within the main recurrent grant.</i>		
<b>3. Academic fees and support grants</b>		
<i>University:</i>		
<i>Full-time home/EU students</i>	14,624	13,140
<i>Full-time overseas students</i>	6,039	5,221
<i>Part-time students</i>	1,615	1,346
<i>Further education fees</i>	58	—
<i>Research training support grants</i>	1,007	639
<i>Special and short course fees</i>	1,434	1,754
<i>Teaching contract fees (Health Education)</i>	6,932	6,565
	<hr/>	<hr/>
	31,709	28,665
<i>Subsidiaries:</i>		
<i>Management School fees</i>	—	43
	<hr/>	<hr/>
	31,709	28,708

# University of Southampton and Subsidiary Undertakings

## Notes to the Financial Statements for the year ended 31 July 1997

4. Research grants and contracts	Consolidated and University	
	1997 £000	1996 £000
<b>INCOME</b>		
Research councils	18,504	17,298
UK based charities	6,154	6,151
UK Central Government/local authorities/ health authorities and hospitals	7,655	7,317
UK public corporations/industry and commerce	6,298	5,695
EU Government	4,503	3,499
EU other sources	1,056	613
Other overseas sources	1,979	1,653
Other sources	66	202
	<b>46,215</b>	<b>42,428</b>
<b>EXPENDITURE – DIRECT COSTS</b>		
Salaries and wages	21,652	20,788
Equipment	4,342	3,435
Depreciation	1,009	758
Other costs	11,234	9,812
(note 10)	<b>38,237</b>	<b>34,793</b>
<i>Contribution to indirect costs</i>	<b>7,978</b>	<b>7,635</b>

# University of Southampton and Subsidiary Undertakings

## Notes to the Financial Statements for the year ended 31 July 1997

### 5. Other operating income

	1997 £000	1996 £000
<i>University:</i>		
Residences, catering and conferences	9,972	9,010
Consultancies, trading and services rendered	10,517	10,115
Health authorities	858	897
Other income	5,734	7,335
	<u>27,081</u>	<u>27,357</u>
<i>Subsidiaries:</i>		
Other income	5,092	6,299
<i>Less intra group transactions</i>	<u>(2,921)</u>	<u>(4,102)</u>
	<u>29,252</u>	<u>29,554</u>

### 6. Endowment income and interest receivable

	1997 £000	1996 £000
<i>University:</i>		
Transferred from specific endowments (note 19)	111	104
Income from general endowment asset investments (note 19)	183	404
Income from short term deposits and investments	1,885	1,289
Other interest receivable	1	482
	<u>2,180</u>	<u>2,279</u>
<i>Subsidiaries:</i>		
Other interest receivable	401	427
<i>Less inter company transactions</i>	<u>(383)</u>	<u>(412)</u>
	<u>2,198</u>	<u>2,294</u>

# University of Southampton and Subsidiary Undertakings

## Notes to the Financial Statements for the year ended 31 July 1997

7. Staff	Consolidated		University	
	1997 £000	1996 £000	1997 £000	1996 £000
<i>Staff costs:</i>				
<i>Wages and salaries</i>	73,149	70,484	73,024	70,179
<i>Social Security costs</i>	5,855	5,488	5,844	5,462
<i>Other pension costs</i>	8,934	8,261	8,928	8,236
	<u>87,938</u>	<u>84,233</u>	<u>87,796</u>	<u>83,877</u>
	1997 Number	1996 Number	1997 Number	1996 Number
<i>Average staff numbers by major category inclusive of part-time appointments</i>				
<i>Academic/clinical/research</i>	1,599	1,568	1,599	1,567
<i>Administrative and academic support</i>	557	536	551	520
<i>Technical</i>	358	367	358	367
<i>Other (including clerical and manual)</i>	1,638	1,595	1,638	1,595
	<u>4,152</u>	<u>4,066</u>	<u>4,146</u>	<u>4,049</u>
	1997 £000	1996 £000	1997 £000	1996 £000

### Emoluments of the Vice-Chancellor

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The emoluments of the Vice-Chancellor are shown on the same basis as those for higher paid staff. The University's pension contributions to Universities Superannuation Scheme Limited (USS) is paid at the same rates as for other academic staff and amounted to £13,150 (1996: £14,803).

### Compensation for loss of office paid to two staff earning in excess of £50,000 per annum:

1997 1996  
£000 £000

### Payment to USS for enhanced pension benefits

66 -

Remuneration of higher paid staff, excluding employer's pension contributions, but including NHS distinction awards where appropriate:

Consolidated and University  
1997 1996  
Number Number

£50,000 - £59,999	29	25
£60,000 - £69,999	10	13
£70,000 - £79,999	9	7
£80,000 - £89,999	3	3
£90,000 - £99,999	4	2
£100,000 - £109,999	5	5

# University of Southampton and Subsidiary Undertakings

## Notes to the Financial Statements for the year ended 31 July 1997

### 8. Other operating expenses

#### University:

	1997 £000	1996 £000
<i>Non capitalised equipment</i>	10,735	10,783
<i>Consumables and laboratory expenditure</i>	6,929	6,518
<i>Administrative and central costs</i>	6,732	6,592
<i>Residences, catering and conferences operating expenses</i>	4,887	4,718
<i>Travel costs</i>	4,349	4,059
<i>Repairs and maintenance</i>	6,943	4,646
<i>Heat, light, water and power</i>	1,944	2,267
<i>Books and periodicals</i>	1,748	1,801
<i>Fellowships, scholarships and prizes</i>	2,547	2,097
<i>Rents</i>	2,789	1,821
<i>Grant to Students' Union</i>	858	817
<i>Telephone operating lease</i>	175	181
<i>Auditor's remuneration</i>	20	17
<i>Other expenses</i>	11,734	8,829
	62,390	55,146

#### Subsidiaries:

<i>Administrative and other expenses</i>	3,697	3,983
<i>Less intra group transactions</i>	(2,463)	(2,225)
	63,624	56,904

### 9. Interest payable

	Consolidated		University	
	1997 £000	1996 £000	1997 £000	1996 £000
<i>Loans not wholly repayable within five years</i>	2,210	803	1,840	1,126
<i>Loans wholly repayable within five years</i>	11	138	11	—
<i>Finance leases</i>	38	107	38	105
	2,259	1,048	1,889	1,231

# University of Southampton and Subsidiary Undertakings

## Notes to the Financial Statements for the year ended 31 July 1997

### 10. Analysis of 1997 expenditure by activity

	Staff costs £000	Depreciation £000	Other operating expenses £000	Interest payable £000	Total £000
<i>University:</i>					
Academic departments	46,298	337	9,809	—	56,444
Academic services	4,389	272	3,015	—	7,676
Research grants and contracts (note 4)	21,652	1,009	15,576	—	38,237
Residences, catering and conferences	2,629	28	4,887	770	8,314
Premises	3,304	5,216	13,693	—	22,213
Administration and central services	4,322	111	3,935	—	8,368
Other activities	5,202	827	11,475	1,119	18,623
	87,796	7,800	62,390	1,889	159,875
<i>Subsidiaries:</i>					
Expenditure	142	249	3,697	753	4,841
Less inter company transactions	—	—	(2,463)	(383)	(2,846)
	87,938	8,049	63,624	2,259	161,870
<i>The depreciation charge has been funded by:</i>					
Deferred Capital Grants released (note 18)		2,187			
General income		5,862			
		8,049			

# University of Southampton and Subsidiary Undertakings

## Notes to the Financial Statements for the year ended 31 July 1997

### 11. Tangible assets

	Consolidated								University							
	Land and buildings				Assets in course of construction				Furniture fittings and equipment				Land and buildings			
	Completed Freehold £000	Completed Leasehold £000	Assets in course of construction £000	Total £000	Completed Freehold £000	Completed Leasehold £000	Assets in course of construction £000	Total £000	Completed Freehold £000	Completed Leasehold £000	Assets in course of construction £000	Total £000	Completed Freehold £000	Completed Leasehold £000	Assets in course of construction £000	Total £000
<i>Valuation/cost</i>																
At 1 August 1996																
University Group																
Valuation	£42,906	—	—	—	142,906	142,906	—	—	—	—	—	—	142,906	142,906	—	—
Cost	13,179	17,070	8,955	7,087	46,291	13,179	12,700	8,955	4,926	4,926	39,760	—	—	—	—	—
WSA																
Valuation	4,491	—	—	—	4,491	4,491	—	—	—	—	—	—	4,491	4,491	—	—
Cost	3,567	—	—	1,339	4,906	3,567	—	—	—	—	—	1,339	4,906	—	—	—
Additions at cost	2,172	123	3,789	1,999	8,083	2,172	—	3,789	1,929	7,890	—	—	—	—	—	—
Transfers at cost	6,002	—	(6,002)	—	—	6,002	—	(6,002)	—	—	—	—	—	—	—	—
Disposals at cost	—	—	—	(219)	(219)	—	—	—	—	(60)	(60)	—	—	—	—	—
Revaluation in year	2,728	—	—	—	2,728	2,728	—	—	—	—	—	—	2,728	2,728	—	—
At 31 July 1997																
Valuation	£50,125	—	—	—	150,125	150,125	—	—	—	—	—	—	150,125	150,125	—	—
Cost	24,920	17,193	6,742	10,206	59,061	24,920	12,700	6,742	8,134	52,496	—	—	—	—	—	—
<i>Depreciation</i>																
At 1 August 1996																
University Group	(6,648)	(699)	—	(3,581)	(10,928)	(6,648)	(254)	—	(2,195)	(9,097)	—	—	—	—	—	—
WSA	(188)	—	—	(898)	(1,086)	(188)	—	—	(898)	(1,086)	—	—	—	—	—	—
Charge for year	(4,840)	(329)	—	(2,880)	(8,049)	(4,840)	(254)	—	(2,706)	(7,800)	—	—	—	—	—	—
Eliminated on disposal	—	—	—	170	170	—	—	—	20	20	—	—	—	—	—	—
At 31 July 1997	(£1,676)	(£,028)	—	(7,189)	(19,893)	(11,676)	(508)	—	(5,779)	(17,963)	—	—	—	—	—	—
<i>Net book value</i>																
At 31 July 1997	£63,369	16,165	6,742	3,017	189,293	163,369	12,192	6,742	2,355	184,658	—	—	—	—	—	—
At 1 August 1996	£49,437	16,371	8,955	3,506	178,269	149,437	12,446	8,955	2,731	173,569	—	—	—	—	—	—

Included in freehold land and buildings is expenditure of £7,027,000 funded by the HEFCE and its predecessors, in respect of clinical land and buildings in National Health Service ownership.

The University has incurred expenditure of £12,700,000 for the Southampton Oceanography Centre, funded by the HEFCE, in respect of buildings constructed by the Natural Environment Research Council.

Included in the cost of buildings held by subsidiary undertakings is interest capitalised amounting to £488,000 (1996: £488,000).

Land and buildings held by the University were revalued at 31 July 1995, by Chesterton plc. The basis of valuation was in accordance with the Statements of Asset Valuation Practice and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). Where appropriate assets were valued at their open market value for existing use but specialised buildings, where open market value was not readily available, were valued at depreciated replacement cost.

In addition to the above expenditure on tangible assets a further £23,294,000 has been committed by the University (see note 23).

# University of Southampton and Subsidiary Undertakings

## Notes to the Financial Statements for the year ended 31 July 1997

12. Fixed asset investments	Consolidated		University	
	1997 £000	1996 £000	1997 £000	1996 £000
Investment in subsidiary undertakings at cost	—	—	125	125
Other investments	91	53	90	52
Chilworth Research Park	9,300	8,800	—	—
Investment in Business Expansion Scheme	17,102	16,035	17,102	16,035
	<u>26,493</u>	<u>24,888</u>	<u>17,317</u>	<u>16,212</u>

The University group structure, where all the companies held are registered in England and Wales, is as follows:

	Percentage holding	Nature of activity
<i>Held by the University</i>		
Marinetech South Limited	25.00	Research innovation
Southampton University Management School	50.00 *	Educational services
University of Southampton Holdings Limited (USH Limited)	100.00	Holding company
Winchester School of Art Enterprises Limited	100.00	Publications
<i>Investments held by USH Limited</i>		
Chilworth Centre Limited	100.00	Research park management
Chilworth Manor Limited	75.01	Residential conference centre
Concurrent Computation Company Limited	14.00	Management services
Henry Robinson Hartley Limited	100.00	Estate management
Southampton Innovations Limited (SI Limited)	100.00	Innovation and patents
Southampton Residences Limited	100.00	Property management services
Southampton University Management School	50.00 *	Educational services
<i>Investments held by SI Limited</i>		
Multicosm Limited	10.30	Software development
Biopraxis Limited	25.00	Research innovation
Thermotic Developments Limited	10.00	Research innovation

\* Company limited by guarantee, maximum liability £1

Chilworth Research Park has been included on the basis of freehold open market value for existing use as at 31 July 1997 as determined by Vail Williams, in accordance with the Statements of Asset Valuation Practice and Guidance Notes by the RICS. The market value of the research park increased by £500,000 during the year. The historical and net book value of these assets at 31 July 1997 amounted to £6,589,000 (1996: £6,589,000) which included interest capitalised amounting to £275,000 (1996: £275,000).

# University of Southampton and Subsidiary Undertakings

## Notes to the Financial Statements for the year ended 31 July 1997

13. Endowment asset investments	Consolidated and University	
	1997 £000	1996 £000
<i>Balance at 1 August</i>	4,485	4,285
<i>University</i>	4	—
<i>Winchester School of Art</i>		
<i>Additions</i>	1,247	863
<i>Disposals</i>	(954)	(933)
<i>Appreciation on revaluation</i>	531	270
<i>Balance at 31 July</i>	<u>5,313</u>	<u>4,485</u>
<i>Represented by:</i>		
<i>Fixed interest stocks</i>	458	435
<i>Equities</i>	2,466	1,757
<i>Unit trusts and managed funds</i>	1,303	981
<i>Total stocks, equities and managed funds at market value</i>	<u>4,227</u>	<u>3,173</u>
<i>Short term deposits</i>	880	1,129
<i>Cash balances</i>	206	183
<i>Total</i>	<u>5,313</u>	<u>4,485</u>
<i>Total stocks, equities and managed funds at cost</i>	<u>2,951</u>	<u>2,429</u>

# University of Southampton and Subsidiary Undertakings

## Notes to the Financial Statements for the year ended 31 July 1997

14. Current Assets	Consolidated		University	
	1997 £000	1996 £000	1997 £000	1996 £000
Debtors greater than one year	3,210	—	17,394	13,158
Stock on hand	322	318	295	276
Debtors and Prepayments:				
Grants from HEFCE	22	96	22	96
Trade debtors	4,289	4,327	4,153	4,151
Tuition fees	738	404	738	404
Research grants and contracts	11,011	11,579	11,011	11,579
Prepayment to group undertakings	—	—	3,842	1,197
Other prepayments	726	1,037	663	982
Other debtors	4,888	3,473	5,581	3,107
	21,674	20,916	26,010	21,516
Loans to group undertakings	—	—	—	10
Investments	23,244	6,920	23,244	6,920
Cash at bank and on deposit	5,849	9,766	4,415	8,440
	51,089	37,920	53,964	37,162

Investments with a book value of £8,859,000 in quoted shares and securities are included in the investment figure above. The market value of these assets at 31 July 1997 was £9,846,000.

The liquid resource figure used in the Consolidated Cashflow Statement is the difference between years of the above investments (£23,244,000 - £6,920,000).

The long term debtor of £3,210,000 in the Consolidated Balance Sheet is the prepaid lease to AF Trust Company for the Synthetic Chemistry Building.

15. Creditors: amounts falling due within one year	Consolidated		University	
	1997 £000	1996 £000	1997 £000	1996 £000
Advance income on research	10,142	8,369	10,142	8,369
Social Security and other taxation	3,584	3,098	3,100	2,952
Amounts owed to group undertakings	—	—	4,602	1,289
Trade and other creditors	9,510	5,089	9,319	3,874
Accruals and deferred income	9,283	6,921	8,101	6,149
	32,519	23,477	35,264	22,633

# University of Southampton and Subsidiary Undertakings

## Notes to the Financial Statements for the year ended 31 July 1997

16. Creditors: amounts falling due after more than one year	Consolidated		University	
	1997 £000	1996 £000	1997 £000	1996 £000
Bank loans	32,233	21,078	22,095	10,345
Other loans (local authority)	157	—	157	—
Finance leases	228	289	228	289
Amounts owed to group undertakings	—	—	13,791	12,889
Leases held in halls of residence by BES companies	17,102	16,035	17,102	16,035
Accruals and deferred income	4,729	2,767	4,393	2,425
	<u>54,449</u>	<u>40,169</u>	<u>57,766</u>	<u>41,983</u>

Bank loans, all secured, at 31 July 1997 may be analysed as follows:

Lender	Date loan obtained	Final repayment date	Interest rate	Balance outstanding £000
University:				
Lloyds Bank	1985	2012	fixed	607
Midland Bank	1993	2018	variable	9,506
Midland Bank	1995	2015	variable	2,281
National Westminster Bank	1996	2016	fixed	9,701
				<u>22,095</u>
Subsidiaries:				
Lloyds Bank	1995	2014	variable	5,100
Midland Bank	1996	2011	variable	5,038
				<u>32,233</u>

The University does not guarantee the borrowings of any subsidiary undertaking.

## 17. Provisions for liabilities and charges

	Consolidated			University		
	Long term maintenance £000	Other £000	Total £000	Long term maintenance £000	Other £000	Total £000
At 1 August 1996						
University	249	1,388	1,637	14	1,564	1,578
Winchester School of Art	—	82	82	—	82	82
Utilised during year	(1,906)	(1,447)	(3,353)	(1,823)	(1,652)	(3,475)
Net transfer from Income and Expenditure account	2,502	1,953	4,455	2,410	1,952	4,362
At 31 July 1997	<u>845</u>	<u>1,976</u>	<u>2,821</u>	<u>601</u>	<u>1,946</u>	<u>2,547</u>

# University of Southampton and Subsidiary Undertakings

## Notes to the Financial Statements for the year ended 31 July 1997

### 18. Deferred capital grants

#### Consolidated and University

		Funding Council £000	Other grants £000	Total £000
<i>At 1 August 1996</i>				
Buildings	University	45,391	755	46,146
	Winchester School of Art	1,066	—	1,066
Equipment	University	551	—	551
	Winchester School of Art	270	9	279
<i>Total</i>		<u>47,278</u>	<u>764</u>	<u>48,042</u>
<i>Cash received</i>				
Buildings		131	—	131
<i>Total</i>		<u>131</u>	<u>—</u>	<u>131</u>
<i>Released to Income and Expenditure account</i>				
Buildings (note 2)		(1,499)	(33)	(1,532)
Equipment (note 2)		(646)	(9)	(655)
<i>Total (note 10)</i>		<u>(2,145)</u>	<u>(42)</u>	<u>(2,187)</u>
<i>At 31 July 1997</i>				
Buildings		45,089	722	45,811
Equipment		175	—	175
<i>Total</i>		<u>45,264</u>	<u>722</u>	<u>45,986</u>

#### Consolidated and University

		Specific £000	General £000	Total £000
<i>At 1 August 1996</i>	University	2,978	1,507	4,485
	Winchester School of Art	4	—	4
<i>Additions</i>		10	—	10
<i>Appreciation of endowment asset investments</i>		115	416	531
<i>Income for year</i>		285	183	468
<i>Transferred to Income and Expenditure account</i>		(111)	(183)	(294)
<i>Appropriated to balances</i>		—	109	109
<i>At 31 July 1997</i>		<u>3,281</u>	<u>2,032</u>	<u>5,313</u>
<i>Representing:</i>				
<i>Fellowships and scholarship funds</i>		844	—	844
<i>Prize funds</i>		335	—	335
<i>Chairs and lectureships funds</i>		1,074	—	1,074
<i>Other funds</i>		1,028	2,032	3,060
		<u>3,281</u>	<u>2,032</u>	<u>5,313</u>

# University of Southampton and Subsidiary Undertakings

## Notes to the Financial Statements for the year ended 31 July 1997

20. Revaluation Reserve	Consolidated		University	
	1997 £000	1996 £000	1997 £000	1996 £000
<i>Revaluations</i>				
At 1 August	<i>University Group</i>	85,994	82,030	84,102
	<i>Winchester School of Art</i>	976	—	976
Revaluation in year		3,228	3,964	2,728
At 31 July		<u>90,198</u>	<u>85,994</u>	<u>87,806</u>
				<u>84,102</u>
<i>Contribution to depreciation</i>				
At 1 August	<i>University Group</i>	2,279	—	2,279
	<i>Winchester School of Art</i>	255	—	255
Released in year		2,158	2,279	2,158
At 31 July		<u>4,692</u>	<u>2,279</u>	<u>4,692</u>
				<u>2,279</u>
Net revaluation amount		<u>85,506</u>	<u>83,715</u>	<u>83,114</u>
				<u>81,823</u>
<b>21. Reconciliation of Income and Expenditure Accounts</b>				
	Consolidated		University	
	£000		£000	
Surplus after depreciation of assets at valuation but before minority interest		895		701
Release from revaluation reserve		2,158		2,158
Transfer to earmarked balances		(109)		(109)
Transfer to deferred income		(2,736)		(2,736)
Historical cost surplus		<u>208</u>		<u>14</u>
Balance at 1 August 1996	<i>University Group</i>	45,382		45,387
	<i>Winchester School of Art</i>	3,214		3,255
Balance at 31 July 1997		<u>48,804</u>		<u>48,656</u>
Represented by:				
Allocated to University departments		20,854		20,854
Centrally controlled		27,950		27,802
		<u>48,804</u>		<u>48,656</u>

£28,482,000 of the above has been used already to finance new buildings.

On 1 August 1996 the operations of the Winchester School of Art were joined with the University. Its assets and liabilities have been incorporated at the carrying values in their 31 July 1996 published accounts.

# University of Southampton and Subsidiary Undertakings

## Notes to the Financial Statements for the year ended 31 July 1997

<b>22. Lease obligations</b>	<b>Consolidated</b>		<b>University</b>	
	<b>1997</b> <b>£000</b>	<b>1996</b> <b>£000</b>	<b>1997</b> <b>£000</b>	<b>1996</b> <b>£000</b>
<i>Obligations under finance leases fall due as follows:</i>				
Between two and five years	228	251	228	249
Over five years	50	114	50	114
Total over one year	278	365	278	363
Within one year	100	95	100	94
Less future finance charges	(77)	(104)	(77)	(104)
	<b>301</b>	<b>356</b>	<b>301</b>	<b>353</b>

<b>23. Capital commitments</b>	<b>Consolidated</b>		<b>University</b>	
	<b>1997</b> <b>£000</b>	<b>1996</b> <b>£000</b>	<b>1997</b> <b>£000</b>	<b>1996</b> <b>£000</b>
<i>Commitments contracted</i>				
Authorised but not contracted	23,294	3,326	23,294	3,326
	4,763	25,957	4,763	25,927
	<b>28,057</b>	<b>29,283</b>	<b>28,057</b>	<b>29,253</b>

## 24. Liability insurance

The University of Southampton has effected insurance cover in respect of liability for all members and officers who participate in the management of the University and its subsidiary undertakings.

## 25. Related party transactions

The University has complied with the Financial Reporting Standard on related party transactions and there are no transactions to report.

## 26. Post balance sheet events

On 1 September 1997, the University took over the former La Sainte Union College of Higher Education in Southampton, and integrated it fully into the University as University of Southampton New College. The University acquired the principal academic buildings of the College and has an option to purchase most of the residential accommodation within two years.

On 30 September 1997, the University drew the first tranche (£6.3 million) of an eventual £12.3 million loan facility negotiated with Yorkshire Bank plc to finance the construction of the Synthetic Chemistry Building, the early costs of which appear as Assets in Course of Construction in note 11.

## Notes to the Financial Statements for the year ended 31 July 1997

### 27. University pension schemes

The University participates in the Universities Superannuation Scheme, (USS), in respect of the majority of academic and academically-related staff. The Scheme provides benefits based on final pensionable salary for employees of all UK universities and some other employers and is contracted out of the State Earnings-Related Pension Scheme. The assets of the scheme are held in a separate, trustee-administered fund.

In addition, the University contributes to a self-administered pension and assurance scheme for non academic staff (PASNAS). The scheme is a defined benefit scheme, funded by contributions made in accordance with the recommendations of the scheme's actuaries.

The actuaries' recommendations for contributions to both schemes are based on triennial valuations of the schemes' liabilities. In the intervening years, the actuaries review the progress of the schemes. Pension costs are accounted for on the basis of charging the cost of providing pensions over the period during which the University benefits from the employees' services. Unless it is considered prudent to recognise deficiencies over a shorter period, variations from regular cost are spread over the expected average working lifetime of members of the schemes, after making suitable allowances for future withdrawals. The latest valuations of the schemes for which results are available and the significant assumptions applied were:

	USS	PASNAS
Valuation date	31 March 1996	1 August 1995
Market value of assets	£12087 million	£49.4 million
Investment return	8.5% p.a.	9.0% p.a.
Increase in salaries	6.5% p.a.	7.0% p.a.
Increase in pensions	5.0% p.a.	5.0% p.a.
Pension cost (calculated as a percentage of total salaries)		
Regular cost	14.6%	12.3%
Variation from regular cost	(0.6%)	(8.8%)
Total pension cost *	14.0%	3.5%

\*Please see note under USS para 3

#### USS

At the last actuarial valuation of the scheme on 31 March 1996 the actuarial value of the assets was sufficient to cover 108% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The pension cost has been calculated using the projected unit method and the assumptions shown above. The total pension cost was £7,543,000 (1996: £7,659,000).

The variation from regular cost has been calculated so as to extinguish the past service shortfall over 5 years. The University paid contributions at the rate of 18.55% of total salaries for the period 1 August to 31 December 1996 and 14% of total salaries from 1 January 1997, with members contributing 6.35% of total salaries.

#### PASNAS

The valuation on the 1 August 1995 indicated that the scheme's assets represented 152% of the benefits that had accrued to members after allowing for expected increases in earnings. A surplus of £15.4 million remains and this will be amortised over the future.

It was recommended that the University continue taking a contribution holiday until the next valuation on 1 August 1998.

Following consideration of the 1995 valuation, a recalculation of the provision shown in the accounts in accordance with SSAP 24 indicated that the provision should be released back to the income and expenditure account. A sum of £1,233,680 has been released this year thereby reducing the expenditure headings from which the provision had originally been made in earlier years.

#### FEDERATED SUPERANNUATION SCHEME FOR UNIVERSITIES (FSSU)

The University maintains records for former members of FSSU. No new members have been admitted to the scheme which was based on fixed pensions. These pensions are supplemented by the University on an ex gratia basis from general income approximately in line with increases in other pensions which have an annual inflation element built in. During the year a total of £141,800 (1996: £145,300) was paid to former members of FSSU or widows of members in respect of these unfunded liabilities.

# University of Southampton and Subsidiary Undertakings

## Notes to the Financial Statements for the year ended 31 July 1997

### 28. Reconciliation of consolidated operating surplus to net cash from operating activities

	1997 £000	1996 £000
<i>Surplus before minority interest</i>	895	5,618
Depreciation	8,049	6,947
<i>Loss on disposal of tangible fixed asset</i>	49	42
Deferred capital grants released to income	(2,187)	(1,912)
Investment income	(2,198)	(2,294)
Interest payable	2,259	1,048
Profit received on sale of endowments	(113)	—
Decrease/(increase) in stock	86	(11)
Increase in debtors	(3,510)	(5,164)
Increase in creditors and accruals	10,445	8,777
Increase/(decrease) in provisions	1,102	(719)
Net decrease in restricted and general funds	(2,736)	(1,692)
Net cash inflow from operating activities	<u>12,141</u>	<u>10,640</u>

### 29. Returns on investments and servicing finance

	1997 £000	1996 £000
Income from endowments (note 19)	468	530
Income from short term deposits and investments	1,577	1,449
Other interest received	19	497
Interest paid	<u>(2,057)</u>	<u>(1,062)</u>
	7	1,414

### 30. Capital investment and financial investment

	1997 £000	1996 £000
Tangible assets acquired	(8,435)	(12,538)
Fixed asset investments acquired	(1,105)	(6,060)
Endowment asset investments acquired (note 13)	(1,247)	(863)
Total fixed and endowment asset investments acquired	<u>(10,787)</u>	<u>(19,461)</u>
Receipts from sales of endowment assets	1,067	933
Deferred capital grants received (note 18)	131	1,065
Endowments received	10	—
	<u>(9,579)</u>	<u>(17,463)</u>

# University of Southampton and Subsidiary Undertakings

## Notes to the Financial Statements for the year ended 31 July 1997

31. Analysis of changes in consolidated financing during the year	1997 £000	1997 £000	1996 £000	1996 £000
<i>Balance at 1 August</i>				
<i>Winchester School of Art</i>		38,102		37,646
<i>Business Expansion Scheme</i>		2,639		
<i>New loans</i>	1,067		1,589	
<i>Capital repayments</i>	9,906		5,550	
	(961)		(6,683)	
		<u>10,012</u>		<u>456</u>
<i>Balance at 31 July</i>		<u>50,753</u>		<u>38,102</u>
32. Analysis of changes in net funds	At 1 August 1996 £000	At Cash flows £000	At Other changes £000	At 31 July 1997 £000
<i>Cash at bank and in hand</i>				
<i>Short term deposits</i>	9,592	(3,743)	—	5,849
<i>Debt due within one year</i>	6,920	16,324	—	23,244
<i>Debt due after one year</i>	(783)	756	(1,006)	(1,033)
	(39,958)	(10,768)	1,006	(49,720)
	<u>(24,229)</u>	<u>2,569</u>	<u>—</u>	<u>(21,660)</u>
33. Access funds			Consolidated and University	
			1997 £000	1996 £000
<i>Balance at 1 August</i>			12	5
<i>University</i>			2	—
<i>Winchester School of Art</i>			278	256
<i>Net HEFCE grant</i>			—	3
<i>Interest earned</i>				
			<u>292</u>	<u>264</u>
<i>Disbursed to students</i>			(282)	(252)
<i>Balance at 31 July</i>			<u>10</u>	<u>12</u>

# University of Southampton

## Statistics

### Financial indicators (University only)

	1997	1996 New basis	1995 New basis (see note 1 below)	1995 Old basis (see note 1 below)	1994	1993
<b>Source of income</b>						
HEFCE grants plus home fees and support grants/Total income	48.5%	48.7%	51.5%	51.5%	51.9%	53.7%
Overseas fees/Total income	3.8%	3.5%	3.5%	3.5%	3.4%	3.5%
Research grants and contracts/ Total income	29.2%	28.2%	25.8%	25.8%	25.8%	23.0%
Surplus or deficit before transfers/ Total income	0.4%	3.7%	2.5%	2.5%	6.9%	3.5%
<b>Long term solvency</b>						
Days of total general funds and provisions to total expenditure	123	122	125	71	67	50
Ratio of long term liabilities to general funds	118.7%	92.5%	94.5%	180.6%	157.3%	62.5%
As above, excluding technical adjustments	55.2%	28.8%	44.6%	85.3%	59.5%	—
<b>Short term solvency</b>						
Net liquid assets to current liabilities	0.8:1	0.7:1	1.2:1	0.9:1	0.5:1	0.6:1
Days ratio of net liquid assets to total expenditure	66	40	63	56	25	32
Current assets/current liabilities	1.53:1	1.64:1	2.36:1	2.11:1	2.03:1	1.76:1
Ratio of movement in net liquid assets in year to same assets at start	79.1%	(28.9)%	92.6%	151.1%	(18.3)%	(13.0)%
Days of total income represented by debtors	32	25	32	32	25	35

1. The new format of accounts introduced in 1995 changed some of the funds classified as 'General', particularly by including under this heading funds provided by the University to fund capital expenditure, previously shown as 'Capital Funds'. The definitions used for current and liquid assets have also changed.

## Statistics

### Income from sponsored research for the year ended 31 July 1997

From Research Councils	£000	From UK based charitable bodies	£000
Biotechnology and Biological Sciences Research Council	1,037	Action Research	70
British Academy	32	Arthritis and Rheumatics Council	121
Council for the Central Laboratory of the Research Councils	101	Association for International Cancer Research	16
Economic and Social Research Council	745	Birthright Trust	77
Engineering and Physical Sciences Research Council (EPSRC)	9,554	British Deer Society	23
EPSRC Joint Funding	189	British Diabetic Association	100
Medical Research Council	1,853	British Digestive Foundation	38
Natural Environment Research Council (NERC)	4,266	British Epilepsy Research Foundation	16
NERC Contracts	178	British Heart Foundation	197
Particle Physics and Astronomy Research Council	541	British Liver Trust	17
Others less than £10,000	8	British Lung Foundation	35
<b>Total</b>	<b>18,504</b>	British Medical Association	29
		Brook Advisory Centre	15
		Cancer Research Campaign	621
		Cats Protection League	11
		Charlotte Frances May Foundation	19
		Children Nationwide Medical Research Fund	55
		Cystic Fibrosis Research Trust	40
		Daphne Jackson Memorial Fellowship Trust	20
		Dove Healing Trust	40
		Gatsby Charitable Foundation	54
		Gift of Sight	40
		Hearing Research Trust	27
		Henry Smith Charity	29
		Higher Education Information Services Trust	25
		Joseph Rowntree Memorial Foundation	20
		Leukaemia Busters	120
		Leukaemia Research Fund	339
		Leverhulme Trust	176
		Lloyds of London Tercentenary Foundation	14
		Multiple Sclerosis Society	79
		National Asthma Campaign	323
		National Meningitis Trust	54
		Nuffield Foundation	61
		Nuffield Provincial Hospital Trust	40
		Oxford Archaeological Unit	39
		Pagets Disease National Association	14
		Royal College of Physicians	13
		Royal College of Surgeons	50
		Society of Chemical Industry	13
		Solent Subfertility Trust	79
		British Allergy Foundation	53
		Tadworth Court Trust	27
		Tenovus - Bournemouth	65
		Tenovus - Cardiff	315
		Thornhill Research Unit Trust	29
		Parthenon Trust	51
		Piam Brown Child Cancer Fund	17
		University of Southampton Development Trust	122
		Wellcome Trust	1,540
		Wessex Cancer Trust	96
		Wessex Medical Trust	554
		Wishbone Trust	15
		Others less than £10,000	101
		<b>Total</b>	<b>6,154</b>

## Statistics

### Income from sponsored research for the year ended 31 July 1997 (continued)

From Other Sources	£000	£000	
ABB Kent Taylor - Italy	56	European Foundation for Osteoporosis	14
Abbey National	13	European Space Agency	40
AEA Technology	11	European Union	4,209
Agrevo UK	34	EverReady	51
ALK - Denmark	30	Ford Foundation	439
Amerada Hess	472	Ford Motor Company	81
AMGEN	29	GEC Marconi Research Centre	17
Arris Pharmaceuticals Corporation	195	Genome Therapeutics	186
Arun District Council	10	GEOMAR - Germany	34
Astra Charnwood	42	Geometric Results	36
Astra Pharmaceuticals	344	Glaxo Research and Development	88
AWE	79	Goodyear Technical Center Luxembourg	13
Bass Taverns	18	Hampshire County Council	30
Bayer UK	49	Health and Safety Executive	152
Birds Eye Walls	12	Health Education Authority	26
BOC Gases	31	Hepworth Mineral and Chemicals	58
British Biotech Pharmaceuticals	109	Hoechst - Germany	15
British Council	12	Hoechst UK	21
British Gas	43	Holman, Fenwick & Willan	41
British Nuclear Fuels	140	Holset Engineering	52
British Telecommunications	107	Innovex UK	17
Cat Link - Denmark	25	Institute of Electrical Engineering	15
Center National D'Etudes	10	Intermarine	25
Chiroscience	19	International Sweeteners Association	48
Ciba-Geigy	71	Inveresk Research International	26
City Technology	34	Ipsen Biotech	56
Clinical Standards Advisory Group	269	J Sainsbury	133
Daimler-Benz	10	Korea Research Institute of Standards and Science	31
Defence Evaluation Research Agency	1,448	Kuto Electronics	42
De Montfort University	12	Lawrie Smith Association	15
Den Norske Stats Oljeselskap	21	Life Sciences & Technologies - Biomedicine and Health	66
Department of Health	1,419	Life Sciences & Technologies - Biotechnology	42
Department of Health - Southern Ireland	39	LIPHA - France	55
Department of Social Security	65	London Business School	16
Department of the Environment	43	Lucas Strategic Planning	17
Department of Transport	41	Madaus - Germany	27
Desoutter	13	Merz & Co - Germany	13
Distancia Innovativ Yachts	11	Ministry of Agriculture, Fisheries and Food	658
Dowelanco	45	Ministry of Defence	431
Dowty Aerospace	20	Ministry of Welfare - Hungary	75
Doyle Sailmakers	13	National Grid	210
Du Pont de Nemours - France	80	National Physical Laboratory	10
Dubois Naval Architects	34	National Power	22
EF Yachting	15	National Radiological Protection Board	13
English Heritage	158		
Electrolux Floor Care	29		
ESSO	24		

## Statistics

### Income from sponsored research for the year ended 31 July 1997 (continued)

From Other Sources	£000	£000	
New Forest District Council	36	Smiths System Engineering	75
Newbury District Council	137	South and West Regional	
NHS Management Executive	18	Health Authority	3,089
North Thames Regional Health Authority	32	South Thames Regional Health Authority	24
Northern and Yorkshire Regional Health Authority	161	Southampton University Hospitals Trust	32
Northern Group Systems	10	Southern Sciences	24
Novartis - Switzerland	18	STC Submarine Systems	57
Office for National Statistics	172	St Saviours Hospital - Jersey	15
Organon Teknika - Belgium	18	Team New Zealand	128
Overseas Development Administration	170	Telecom Securicor Cellular Radio	44
Oxford Molecular	30	TNO Institute of Applied Physics - Netherlands	37
Paint Research Association	17	Tony Castro	12
Perkins Technology	11	Torbay District Council	30
Pfizer	92	Toshiba	47
Pharmacia and Upjohn	130	Transport Research Laboratory	202
Pharmaco	84	Trident Shipworks	21
Pirelli - Italy	142	UK Water Industry Research	27
Radiodetection	17	Unichema Chemie	72
Renault - France	27	Unipath	38
Research Publications International	27	United States Air Force	65
Rhone Poulenc	33	United States Navy	46
Roche Products	35	University College of North Wales	15
Rolls Royce	58	University of Amsterdam	30
Rotta Research Laboratorium	12	Virginia Polytechnic Institute & State University	39
Royal National Lifeboat Institution	43	Vortoil Separation Systems	40
Royal Society	391	Vosper Thornycroft	13
Sail Training Association	22	Wallingford Hydraulics Research	25
Sandoz Agro	36	Walham Centre for Pet Nutrition	69
Sarum Road Hospital	26	Water Research Centre	55
Schering Plough	80	Wellcome Foundation	42
Scotia Pharmaceuticals	15	West Midlands Regional Health Authority	56
Second Activity	57	Wiltshire Health Authority	13
Senergy - Netherlands	10	World Health Organisation	47
Sensor Nederland - Netherlands	33	Wyeth Research UK	28
Shell UK	11	Yamanouchi Pharmaceuticals	36
SII Vision Solutions	30	Zeneca	182
Siemens Environmental Systems	56	Others less than £10,000	835
Slough Borough Council	31		
SmithKline Beecham	131		
		<b>Total</b>	<b>21,557</b>



**University of Southampton  
Highfield  
Southampton  
SO17 1BJ  
United Kingdom**

**Telephone +44 (0)1703 595000**